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This is a joint publication of a number of leading authors who participated in COST Action¹ entitled “Economic integration of urban consumers demand and rural forestry production”. In focusing on entrepreneurial changes and innovations in the European forest sector it summarizes and generalizes the findings of the Action’s three working groups dealing specifically with small-scale forestry as well as with industrial wood processing and non-wood forest products and services. The book on entrepreneurship is thus an original and valuable complementary publication to the more detailed subject studies presented in another main report of the COST Action E30.²

The first section of the book discusses driving forces and policies affecting entrepreneurship in rural forestry, points to the high diversity of small-scale forestry practices in various European regions, and confirms a growing demand for environmentally friendly products offering new and differentiated business opportunities. This demand appears to polarize increasingly towards standardised mass-produced commodities on the one hand, and sophisticated designed and high quality products frequently supported by a high-level of customisation on the other. The second section sets out a number of theoretical approaches relevant to regional economic growth, industrial economic management, entrepreneurship, firm

¹ E30COST (European COoperation in the field of Scientific and Technical Research) is an intergovernmental framework for the coordination of nationally funded research at a European level, based on a flexible institutional structure. COST research networks are called Actions. <http://www.cost.esf.org/>

² The main project report “Issues affecting enterprise development in the forest sector in Europe” has been edited by Anssi Niskanen and is published as well by the Faculty of Forestry of the University of Joensuu. Some of the papers in these proceedings have been extensively revised to be included in this special issue of *Small-scale Forestry*.

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performance and enterprise strategy. It puts into evidence the importance of new development opportunities in largely urbanized and service-oriented societies based on innovation processes that need to be analysed using a system approach. In this approach, consideration needs to be given to the full transfer chain from research and development to changes in business management, and taking into account the impact of the supporting institutional and public policy system.

Section 3 present key findings related to small-scale forestry production and in particular the demand for forest products and the role of ownership and property rights. The connection between small-scale forestry and rural development is highly varied from one part of Europe to another, with small-scale forest owners contributing substantial amounts of raw material into the wood supply chain in some countries and almost nothing in others. The characteristics of changing demands on forest products, the high diversity of forest owners' goals, motives and attitudes, and the potential for developing local wood and non-wood processing and services are discussed. There is need for innovative co-operative arrangements and more flexible institutional structures of forest owners' associations to deliver scale economies in the non-industrial private forest sector. Facing the multi-functionality of forests and the growing diversity of owners' motivations and values has become a new and major task for co-operatives and associations operating successfully in the sector.

Options and challenges within the European wood product value chains are discussed in section 4. Based on available country information the study examines competitive advantages of small- and medium-scale enterprises within the wood products chain, factors creating the ability of new firms to overcome entry barriers to the market, and possible reorientation of business infrastructure toward solid wood product chains. Tailor-made timber supply in forestry contracting, niche production and focus on business strategy among primary wood products firms, system solutions in wood house component industries, and enterprise development in bio-fuel production are put forward as regional differentiated solutions to position small-scale firms more strongly in the wood production and processing sector. Among the examples given, reference is made to firms in the United Kingdom having re-focused their business strategies on the house building market with structural timbers. Another strategic shift, identified for instance in Italy, has been business delocalisation. Forest sector enterprises and even whole industrial groups have reallocated their productive units outside the national borders. Access to new timber resources was found a valid reason in the delocalisation of Finnish corporations to the Baltic countries.

The fifth section of the publication contributes to a better understanding of the growing potential both for small-scale forest owners as well as for small- and medium-sized companies in developing new markets for non-wood products and services (NWFP&S). Again based on the available studies of the COST Action E30, the authors provide a comprehensive taxonomy for such forestry-related outputs, propose a common framework of indicators for NWFP&S, and highlight the factors affecting their competitiveness and promotion in expanding and entering new markets. The proposed system of classifying terms for the nature and functions of actually or potentially marketable products and services includes a broad variety of outputs that merit consideration by small-scale forest owners as attractive business

opportunities. They are defined as resources of biological origin associated with forests and other wooded land as a concept which is considerably broader than the usual non-wood classifications. The proposed classification system allows addressing a whole range of commercial forest-based products that range from nutrition and sophisticated food products to handicraft and decorative materials, as well as from recreational and tourist uses to protective and environmental services.

The authors stress that products and services from forestry activities, either marketable or not yet marketable, are connected with many economic branches or activities of social life, such as food processing and catering, education, recreation and tourism, medicine and health care, and even art and music. This requires more effective market research to obtain precise information on customer wants and demands which is essential for shifting the still largely (wood) production oriented attitudes of forest owners into a more diversified consumer-oriented direction. The authors underline as well the need to develop greater product differentiation, a move up the values chain towards more specialised production, quality control and better standardisation, and the systematic development of recognised trademarks in order to increase the chances of commercial success.

The conclusions part of the book relate to relevant policy-making processes in Europe, to the changing role of small-scale forestry in relation to downstream timber industries, to changing business strategies of small- and medium-sized firms in the wood product value chain, and to innovations and new market developments associated with non-wood forest products and services. The authors insist on the urgency of an expansion of the research agenda in the European forest sector which until now focused almost exclusively on sustainable wood production and forest ecology. More attention should be given to the sector's private entrepreneurship and its innovation capacity simply for the reason that private actors may be, under appropriate frame conditions, more efficient and flexible in reacting to new demands, thus increasing the economic and social value of forest resources.

Altogether, the publication is an interesting and useful book which merits being examined by readers from inside and outside Europe who want to gain a more comprehensive understanding of present trends as much as of the diversity of problems and opportunities which small-scale forest owners and small- and medium size forest enterprises are facing at present. Of considerable interest is the analysis of small-scale forest owners and small- and medium-scale firms in the broader context of European forest development and in a perspective that combines entrepreneurial innovation and strategic changes with the supporting public policy framework. Among the strong points one may also mention the structural and comparative information in particular concerning non-wood forest products and services, the well chosen summary key findings and messages accompanying each chapter, and the extended list of references documenting the actual level of available research publications. A source of information results from the tables presented in the annex with country information on round-wood markets and forest industry structures, secondary wood product industries, and main non-wood forest products and services.

As with other interesting research publications, this book has left the reviewer with the desire to explore further issues. The publication shows in fact that, in

particular with regards to non-wood forest products and services, many new initiatives have been identified and examples of an astonishing variety have been listed in a qualitative manner. However, from the perspective of a land owner or a firm engaged in the forest sector the value of such examples is only real if the economic conditions allow making profit. It is therefore essential to build on the work already undertaken and to demonstrate with actual figures the positive economic effects which can be generated from the given examples. According to the principle that profit making is one of the most convincing inducement for change and innovation, one needs quantitative data, for instance, on cost-cutting impacts, profitability, and attainable market volumes, in order to foster progress and competitiveness of the large number of European small-scale forest owners.